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BEFORE

THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

DOCKET NO. 2004. 2975

IN RE: Application of MIDLANDS)
UTILITY, INC. For Approval of)
New Schedule of Rates and Charges)
For Sewerage Service Provided to)
Its Customers in Richland, Lexington))
Fairfield and Orangeburg Counties)

APPLICATION FOR
RATE INCREASE

Midlands Utility, Inc ("Midlands") hereby applies to the South Carolina Public Service Commission ("Commission") for approval of an increase in its existing rates and charges pursuant to South Carolina Public Service Commission's Rules and Regulations and S.C. Code Ann. §58-5-240 (Law. Co-op. Supp. 1995). In support of its application, Midlands provides the following information:

1. Midlands is a closely held corporation organized and existing under the laws of the State of South Carolina and is a public utility within the meaning of S.C. Ann. §58-5-10(3) (Law. Co-op. 1976). Midlands currently furnishes sewer collection and sewer treatment service to 2,937 active residential and commercial customers in Richland, Lexington, Fairfield and Orangeburg Counties under the schedule of rates approved by the Commission in Order Number 97-517, Docket Number 96-160-S, dated June 17, 1997. By Commission Order Number 2002-138 in docket No. 2001-380-S dated March 1, 2002, Midlands' approved schedule of rates includes a collection only residential sewer charge. (see schedule of existing rates and charges as shown by category and monthly charges attached hereto and incorporated herein by reference in Exhibit 1).

2. Because Midlands has experienced increased operating expenses, and anticipates additional increased expenses resulting from Midlands' need for capital improvements and related environmental requirements, an increase in rates is a necessity, and therefore pursuant to S.C. Code Ann. §58-5-240, Midlands respectfully applies for the approval of a new two step schedule of rates and charges for sewerage service provided to its residential and commercial customers in all areas served, to be implemented in two stages. Notice of its intention to file the new schedules was given more than the required thirty (30) days prior to this application.

3. Midlands' last rate increase was approved on January 19, 1996, and was based on the level of operating expenses experienced in 1994. The complexities of meeting capital improvements, together with resulting necessary financing costs and environmental schedules, require rates to increase prior to commencement of construction of Midlands' capital improvements. The first increase required will raise rates to pay for new costs created by construction necessary for capital improvements (see schedule of proposed rates and charges during construction shown by category and monthly charges attached hereto and incorporated herein by reference in Exhibit 2, see "During Construction," Column II, page 1). A second increase in rates will be required upon completion of all construction (see schedule of proposed rates and charges upon completion of construction shown by category and monthly charges attached hereto and incorporated herein by reference, also in Exhibit 2, see "After Construction," Column III, page 1).

4. The new schedule of rates and charges effective during the period of construction will create additional monthly revenues of \$26,353.00 to the monthly revenue generated during the test year ending June 30, 2004 (see Exhibit 2 incorporated

herein by reference). The new schedule of rates and charges effective upon completion of construction create additional monthly revenues of \$29,282.00 to the monthly revenue generated during the test year ending June 30, 2004 (see Exhibit 2, incorporated herein by reference). The rates and charges proposed herein will allow Midlands the opportunity to earn a reasonable operating margin and a reasonable return on its rate base. The proposed new rates and charges are necessary to assure confidence in the financial soundness of the company and to provide adequate and sufficient service to Midlands' customers.

5. Midlands is informed and believes that such schedules for rate increases are just, lawful and reasonable, and it intends to put the new schedules into operation for service rendered on or after the expiration of the time prescribed in S.C. Code Ann. §58-5-240 (C) or (D) whichever is applicable, unless otherwise sooner ordered by this Commission.

6. Midlands and two other closely held corporations, namely Bush River Utilities, Inc. ("Bush River") and Development Services, Inc. ("DSI"), are all owned and operated by two brothers, Keith G. Parnell and C. Ken Parnell, each owning equal shares of these three family owned corporations. The corporations are connected by virtue of ownership, common purpose, staffing, and inter-company borrowings of assets and equipment. Each of the three corporations is a public utility within the meaning of S.C. Code Ann. §58-5-10(3), and is therefore regulated by the Commission.

7. Midlands further submits that the long term business plan of its owners is to effect a merger of all assets and liabilities of the three corporations into one corporation. Because of common ownership, the ability to operate essentially as one utility provides economies of scale justifying the merger of the functions of the three corporations into one

corporation with a single schedule of rates and charges for sewer service. Midlands, DSI and Bush River, through the commitment of their owners, have collectively obligated and pledged all corporate assets to secure and repay a loan agreement with a commercial bank. The loan was necessary to upgrade facilities and to meet certain environmental requirements of the South Carolina Department of Health and Environmental Control ("DHEC") and is conditioned upon this Commission's approval of increased rates generating revenue sufficient to service the debt, pay construction costs and pay ongoing operational expenses. Accordingly, DSI and Bush River have recently submitted their respective applications for increases in approved rates and charges.

8. Correspondence or communications regarding this application should be addressed to:

Scott Elliott, Esquire
Charles H. Cook, Esquire
Elliott & Elliott, P.A.
721 Olive Street
Columbia, SC 29205
803-771-0555

9. The legal name and principal office or place of business of the applicant is Midlands Utility, Inc., 816 East Main Street, Lexington, South Carolina 29072. The contact person regarding ongoing operations of the Applicant is:

Keith G. Parnell, President
Midlands Utility, Inc.
816 East Main Street
Lexington, SC 29072
803-359-4803

10. Current service area maps are on file with the Commission. The required performance bond is updated and on file with the Commission. Attached hereto and incorporated by reference are Exhibits "2-5" inclusive, based on the proposed twelve-

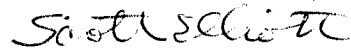
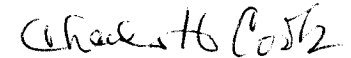
month test year ending June 30, 2004, and Exhibits "6-7" as required by the Commission's Rules, Regulations, and Directives and listed below:

- | | |
|-----------|--|
| Exhibit 2 | Most current available income and expense statement for preceding twelve months and pro forma income and expense statement using proposed rates applied to proposed test year. |
| Exhibit 3 | Balance sheet and depreciation schedule by categories of plant or average service lives. |
| Exhibit 4 | Number of customers as of June 30, 2004 and expected in the following twelve months. |
| Exhibit 5 | Statement of plant investments by categories as of June 30, 2004. |
| Exhibit 6 | The most recent letter of approval from DHEC dated August 11, 2004. |
| Exhibit 7 | Customer bill form. |

WHEREFORE, Midlands Utility, Inc., requests that the South Carolina Public Service Commission approve the new rates and charges as proposed herein and as set forth in the attached schedules.

Respectfully submitted,

ELLIOTT & ELLIOTT, P.A.

Scott Elliott, Esquire
Charles H. Cook, Esquire
Elliott & Elliott, PA
721 Olive Street
Columbia, SC 29202
803-771-0555 Phone
803-771-8010 Fax

Columbia, South Carolina
October 6, 2004

ATTORNEYS FOR APPLICANT
MILANDS UTILITY, INC.

EXHIBIT 1

**Midlands Utility, Inc.
Current Rate Schedule**

Schedule of Residential Rates

Type of Residence	Monthly Service Charge
Permanent Base	\$26.70 per month
Apartments (per unit)	\$26.70 per month
Mobile Base	\$20.30 per month

Schedule of Commercial Rate

Type of Establishment	Monthly Service Charge
Convenience Store	\$26.70 per month
Other	\$26.70 per SFE

Schedule of Collection Only

Residential/Commercial	\$14.22
Mobile Home	\$10.81

Tap Fees

Residential	\$250.00 per SFE
Commercial	\$250.00 per SFE

Plant Expansion and Modification Fees

Residential	\$250.00 per SFE
Commercial	\$250.00 per SFE

Customers whose sewage is treated by the City of Cayce pay an additional tap fee directly to the City of Cayce.

Other Charges

New Customer set up	\$25.00
Disconnect Notice	\$ 4.00

EXHIBIT 2

Midlands Utility, Inc.
Income and Statement of Expenses – Base Year and Projections
(as measured in dollars)

	I	II	III
	06/30/2004	Projections	
	Base Year	During Construction	After Construction
<u>Revenue</u>	<u>\$956,194</u>	<u>\$1,272,432</u>	<u>\$1,307,582</u>
Salaries – Officers	55,192	75,000	75,000
Salaries – Other	156,550	160,000	160,000
Repairs	71,772	72,000	72,000
Taxes	29,528	30,000	35,000
Interest	2,749	35,505	40,485
Depreciation	30,293	30,000	76,750
Chemicals	10,639	10,000	5,000
Vehicle Exp	18,305	20,000	20,000
Professional	166,643	125,000	75,000
Utilities	40,963	40,000	60,000
Other Operating Exp	8,388	10,000	10,000
Rate Case Exp	0	20,000	20,000
Insurance	79,295	88,000	98,000
Telephone & Office Exp	17,551	18,000	18,000
DHEC Fines	30,451	40,000	20,000
Contract Service (DSI)	0	27,120	25,588
<u>Total OP Expenses</u>	<u>718,319</u>	<u>800,625</u>	<u>810,823</u>
*Treatment Expense	265,021	376,000	376,000
Total Expenses	983,340	1,176,625	1,186,823
Operating Income	(27,146)	95,807	120,759
Other Income	28,806	18,000	18,000
Revenue Before Taxes	1,660	113,807	138,759
Income Taxes	0	28,452	34,690
Net Income	1,660	85,355	104,069

MIDLANDS UTILITY, INC.
INCOME STATEMENT - BASE YEAR AND PROJECTIONS
BASE YEAR ENDING 6/30/04

REVISED 11/11/2004

PASS THRU CUSTOMERS MIDLANDS TREATMENT PASS THRU MIDLANDS TREATMENT

TOTAL FUNDS		PROJECTIONS		% TO		\$ TO		% TO		\$ TO		\$ TO	
EXPENDED		DURING		AFTER		DUR CON		DUR CONST		DUR CONST		AFTER CONST	
BASE YEAR		CONSTR		CONSTR		COLL		COLLECTION		TREAT		TREAT	

	REVENUE & RATE CALCULATIONS			
	DURING CONSTRUCTION		AFTER CONSTRUCTION	
	COLLECTION	TREATMENT	COLLECTION	TREATMENT
OPERATING EXPENSE	\$591,400	\$209,225	\$567,956	\$242,867
DHEC FINE	(31,776)	(8,224)	(15,888)	(4,112)
OTHER INCOME	(14,299)	(3,701)	(14,299)	(3,701)
NET EXPENSES	\$545,325	\$197,300	\$537,769	\$235,054
REVENUE REQUIRED FOR REASONABLE RETURN AFTER TAXES	\$634,820	\$261,612	\$662,743	\$268,839
*TREATMENT COST	\$376,000	\$0	\$376,000	\$0
TOTAL REVENUE	\$1,010,820	\$261,612	\$1,038,743	\$268,839
ADJUST FOR UNCOLLECTIBLES	\$1,026,213	\$265,596	\$1,054,561	\$272,933
NO. OF SFE	2353	584	2353	584
MONTHLY RATE	\$36.34	\$37.90	\$37.35	\$38.95
AVERAGE TREATMENT COST	\$13.32		\$13.32	
PASS THROUGH RATE	\$23.03		\$24.03	

*TREATMENT COST BASED ON CAYCE CHARGING OUTSIDE CITY RATE

Midlands Utility, Inc.
New Rate Schedule during Construction

Schedule of Residential Rates

A) Customers wastewater treated by Midlands wastewater plants:

Type of Residence	Monthly Service Charge
Permanent Base	\$37.90 per month
Apartments (per unit)	\$37.90 per month
Mobile Base	\$28.43 per month

B) Customers wastewater treated by others (pass-thru rate):

Type of Residence	Monthly Service Charge
Permanent Base	\$23.03 per month
Apartments (per unit)	\$23.03 per month
Mobile Base	\$17.27 per month

Schedule of Commercial Rates

A) Customers wastewater treated by Midlands wastewater plants:

Type of Establishment	Monthly Service Charge
Convenience Store	\$37.90 per month per SFE
Other	\$37.90 per month per SFE

B) Customers wastewater treated by others (pass-thru rate):

Type of Establishment	Monthly Service Charge
Convenience Store	\$23.03 per month per SFE
Other	\$23.03 per month per SFE

Tap Fees

Residential	\$500.00 per SFE
Commercial	\$500.00 per SFE

Plant Expansion and Modification Fees (Midlands Facilities)

Residential	\$2,000.00 per SFE
Commercial	\$2,000.00 per SFE

Plant Expansion and Modification Fees (Other Facilities)

Customers whose sewage is treated by any entity other than Midlands Utility. These fees are paid directly to the entity providing treatment. These entities include the City of Cayce, Town of Winnsboro, Orangeburg Department of Public Utilities, Carolina Water Service, Inc.

Other Charges

New Customer Set Up	\$25.00
Disconnect Notice	\$14.00

Midlands Utility, Inc.
New Rate Schedule After Construction

Schedule of Residential Rates

A) Customers wastewater treated by Midlands wastewater plants:

Type of Residence	Monthly Service Charge
Permanent Base	\$38.95 per month
Apartments (per unit)	\$38.95 per month
Mobile Base	\$29.21 per month

B) Customers wastewater treated by others (pass-thru rate):

Type of Residence	Monthly Service Charge
Permanent Base	\$24.03 per month
Apartments (per unit)	\$24.03 per month
Mobile Base	\$18.02 per month

Schedule of Commercial Rates

A) Customers wastewater treated by Midlands wastewater plants:

Type of Establishment	Monthly Service Charge
Convenience Store	\$38.95 per month per SFE
Other	\$38.95 per month per SFE

B) Customers wastewater treated by others (pass-thru rate):

Type of Establishment	Monthly Service Charge
Convenience Store	\$24.03 per month per SFE
Other	\$24.03 per month per SFE

Tap Fees

Residential	\$500.00 per SFE
Commercial	\$500.00 per SFE

Plant Expansion and Modification Fees (Midlands Facilities)

Residential	\$2,000.00 per SFE
Commercial	\$2,000.00 per SFE

Plant Expansion and Modification Fees (Other Facilities)

Customers whose sewage is treated by any entity other than Midlands Utility. These fees are paid directly to the entity providing treatment. These entities include the City of Cayce, Town of Winnsboro, Orangeburg Department of Public Utilities, Carolina Water Service, Inc.

Other Charges

New Customer Set Up	\$25.00
Disconnect Notice	\$14.00

EXHIBIT 3

Midlands Utility, Inc.
Balance Sheet
June 30, 2004

ASSETS

Current Assets

Cash			44,071
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Fixed Assets

Land		8,000	
Plant and Equipment	2,604,261		
Less: Accumulated Depreciation	<u>2,474,339</u>	<u>129,922</u>	137,922

Other Assets

Due from Affiliates		30,097	
Unamortized Loan Cost		80,885	<u>110,982</u>

Total Assets

292,975

LIABILITIES

Current Liabilities

Payroll Taxes		855	
Notes Payable		<u>58,111</u>	58,966

Other Liabilities

Customer Deposits		58,600	
Due to Affiliates		<u>1,683</u>	<u>60,283</u>

Total Liabilities

119,249

EQUITY

Capital Stock		1,000	
Paid in Capital		1,000	
Retained Earnings		<u>171,726</u>	<u>173,726</u>

Total Liabilities and Equity

292,975

Midland Utility, Inc.
(as measured in dollars)

DEPRECIATION SCHEDULE

Average Life Yrs	Plant Categories	Cost	Prior Depr	Depr During Construction	Depr After Construction
	Collection Plants				
15	Sewers Force	349,031	301,368	6,000	6,000
15	Sewers Gravity	1,384,436	1,307,537	16,000	16,000
7	Other & Misc. Eq.	236,983	232,708	500	500
	Treatment & Disposal				
15	Equipment	513,361	499,883	2,000	2,000
15	Other Misc. Eq.	81,250	7,940	5,000	5,000
	General Plant				
7	Structures & Impr	6,503	6,299	200	200
5	Office F&F	11,011	10,641	300	300
5	Lab Eq.	21,686	21,686	0	0
25	New proposed Plants	1,168,850			46,750
Totals		3,773,111		30,000	76,750

EXHIBIT 4

Midlands Utility, Inc.

Number of present and expected new customers in the following twelve months

		I	II	III
		As of (6/30/04)	Expected Growth 6/30/05	Expected as of 6/30/05
Class of Customer				
Collection		2,353	0	2,353
Treatment		584	0	584
	Total	2,937		2,937

SUBDIVISION	RESIDENTIAL	COMMERCIAL	MOBILE BASE	TOTAL REU	TREATMENT PROVIDER
Arborsgate	99	1	0	100	Cayce
Bellemeade	138	2	0	147.77	Midlands
Charwood	163	0	0	163	Cayce
Dutch Creek	165	0	0	165	Midlands
Fox Glen	47	0	0	47	Cayce
Henwood	0	0	7	5.25	Cayce
Montclair	62	0	0	62	Cayce
Mallard Trace	50	0	0	50	Cayce
Northwood Estates	66	1	0	71	Oburg DPU
Parkwood	124	15	1	212.4	Cayce
Quinton Commons	35	0	0	35	Cayce
Raintree Acres	137	0	0	137	Midlands
Rockford Place	45	0	0	45	Cayce
Royal Hills	32	0	7	37.25	Winnsboro
Stonewood	95	0	0	95	Cayce
Timberland	146	2	0	151	Cayce
Vanarsdale	162	10	0	412	Carolina Water Service
Westgate	293	19	1	866.3	Cayce
Windy Hill	135	0	0	135	Midlands
Totals	1994	50	16	2936.97	

Collection Customers	2353
Treatment Customers	584
Total	2937

EXHIBIT 5

Midlands Utility, Inc.

Statement of Plant Investment by Categories as of June 30, 2004

Land		\$ 8,000
Plant and Equipment	\$2,604,261	
Less Accumulated Depreciation	<u>2,474.339</u>	<u>129,922</u>
Total		\$137,922

EXHIBIT 6

BOARD:
Elizabeth M. Hagood
Chairman

Mark B. Kent
Vice Chairman

Howard L. Brilliant, MD
Secretary



BOARD:
Carl L. Brazell

Louisiana W. Wright

L. Michael Blackmon

Coleman F. Buckhouse, MD

C. Earl Hunter, Commissioner

Promoting and protecting the health of the public and the environment.

August 11, 2004

Mr. Charles Cook
Elliott and Elliott
721 Olive Street
Columbia, SC 29205

RE: PSC Information
DHEC Permits

Dear Mr. Cook:

This letter serves to confirm that the following systems have valid permits to operate from DHEC.

Bellemeade S/D WWTP	SC0030988
Windy Hill WWTP	ND0067075
Bush River Utilities WWTP	SC0032743
Raintree Acres WWTP	SC0039055
Development Service, Inc.	SSS000681 (collection system only)

I can be reached at 803-898-4157 or at debessjp@dhec.sc.gov.

Sincerely,

Jeffrey P. deBessonnet, P.E., Director
Water Facilities Permitting Division

cc: Keith Parnell, Midlands Utilities

Exhibit 6

EXHIBIT 7

MIDLANDS UTILITY, INC.
816 E. Main Street
P.O. Box 887
Lexington, S.C. 29071

PRESORT
F.C.M.

U.S. Postage
PAID
1st Class
PERMIT 110
Lexington, S.C.

ACCOUNT NO. _____

MONTH _____	AMOUNT _____
Billing Date	_____
Previous Balance	_____
Payment	_____
Past Due	_____
Late Charge on	_____
Unpaid Balance	_____
Sewer Service	_____
Total Due	_____

NAME AND ADDRESS

PLEASE REMIT TO THE ABOVE ADDRESS
WITHIN TEN DAYS

PLEASE RETURN THIS STUB WITH PAYMENT

Keep this stub for your records.

PLEASE RETURN THIS STUB WITH PAYMENT

MIDLANDS UTILITY, INC.
P.O. Box 887, Lexington, S.C. 29071
Telephone: 358-4503
Office Hours: 9:00 a.m. to 4:00 p.m.
Monday through Friday

You may elect to pay your sewer service fee quarterly instead of monthly. The quarterly fee must be paid in advance.
A 1 1/2% late payment charge will be added to any unpaid balance not paid within 25 days of billing date.

Please notify Midlands Utility, Inc.
P.O. Box 887, Lexington, S.C. 29071
of change of address or ownership.

Dear Customer: